10. Use pages 36-39 + the video to understand the role that USMCA plays in the USA international cooperation:

<https://www.youtube.com/watch?v=371CRxnGkA8&feature=emb_logo>

**Video exercises:**

a) What has been the impact of NAFTA on new car prices in the consumer price index (start of video to 45s)

It kept car prices relative stable (e.g. Chevy Suburban prices have risen only 7% in real terms between 1993 and 2018 despite newer model having many more features). Prices for all other goods have risen by 86%.

b) What did the signing of NAFTA in 1994 mean for Canada, the US and Mexico and what was it hoped this would slow down from Mexico? (45s – 1m20)

First major trade deal of its kind, they agreed to eliminate tariffs in order to promote investment in their three economies and reduce illegal immigration from Mexico.

c) What is the significance of the figure 62.5% and 2.5% in relation to NAFTA? (1m20-1m40)

It allowed auto makers to keep costs down by making parts cheaper, if 62.5% of a vehicle’s parts were made in North America then no tariff would be imposed between the three counties, otherwise a tariff of 2.5% would be imposed.

d) Why did cars made in Mexico cost less than those manufactured in the USA? (1m40-2m10)

Car made in Mexico cost $1200 less than one made in America because labour and parts are cheaper. Parts have been sourced from the least expensive places.

e) What has happened to car production and to auto manufacturing jobs in these three countries under NAFTA? (2m10-3m40)

Parts from cars were made in all three countries and sent between them for assembly. ¾ of cars sold in US met these standards to avoid tariffs (including top brands Ford and GM). All three countries produced more under NAFTA than before the agreement.1/3 of auto manufacturing has disappeared since NAFTA was signed.

f) What is most likely to be responsible for these job losses (3m40-4m10)

Automation. Fewer than 5% of US auto jobs lost from sizeable layouts were due to trade with Mexico.

g) What will be the impact of the USMCA on the auto industry? On the models on sale today? On car prices? Car sales? Jobs? (4m10-6m25)

75% of all parts must be made in US CAN or MEX and 40-45% of those parts must be made by workers earning at least $16 an hour. Lots of cars won’t meet these requirements.